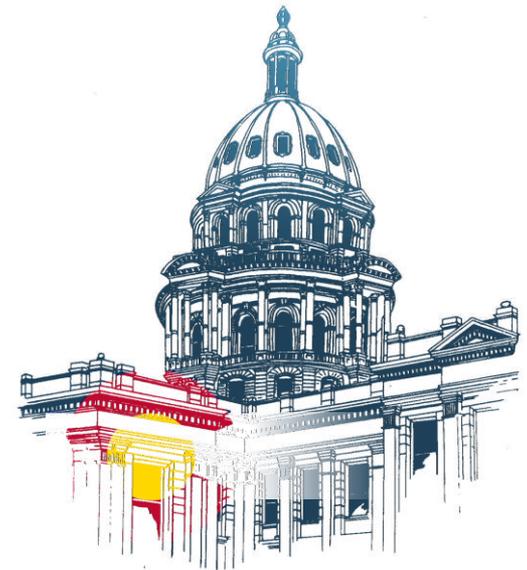


School Finance 101

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August 24, 2021
School Finance Interim Committee

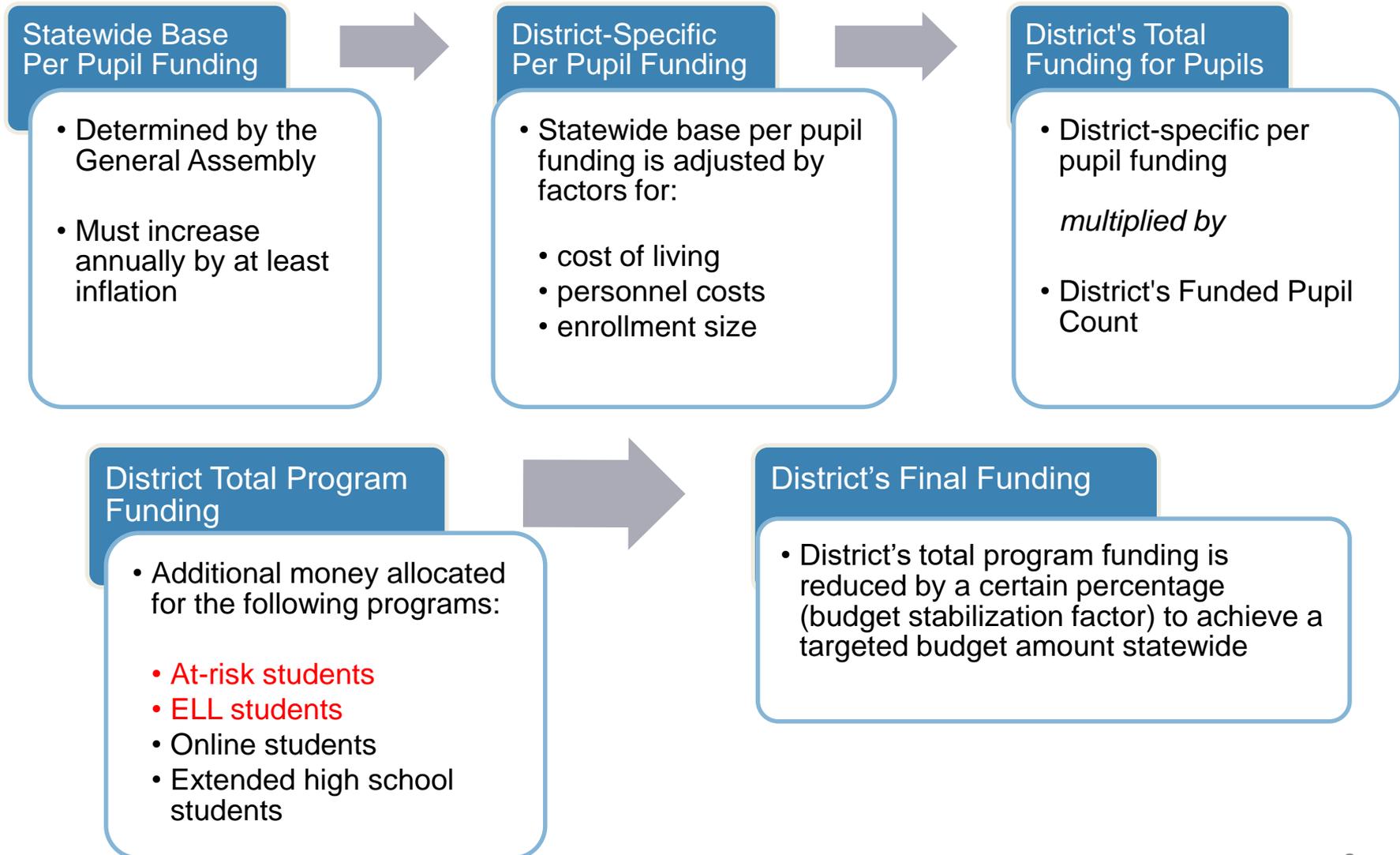


Objectives for Today's Presentation

- Overview of formula & current funding levels
- Review important funding sources
- Recent changes to local share



School Finance Formula (Including SB 21-268)



Base Per Pupil Funding (Base)

- School finance formula begins with the **base per pupil funding amount**.
- Amendment 23 requires the base **increase annually by at least inflation**.
- Established in statute through the annual school finance bill.
- For FY 2021-22, base is **\$7,225.28**, up **2.0%** (\$141.67) from FY 2020-21.

Initial Adjustments for District Characteristics

- Formula increases the **Base** for districts with:
 - a higher cost of living (**COL Factor**)
 - larger share of personnel costs (**PC Factor**)
 - smaller district size (**Size Factor**)

- $$[(\text{Base} \times \text{PC Factor} \times \text{COL Factor}) + (\text{Base} \times (1 - \text{PC Factor}))] \times \text{Size Factor}$$

= Preliminary Per Pupil Funding

Added Funding Based on Student Characteristics

- **At-risk students (At-risk Factor)**
 - Eligible for free **and reduced** lunch
 - 12% increase in per pupil funding + an additional percentage for districts with a higher percentage of at-risk students than the statewide average.
- **ELL students (ELL Factor)**
 - Only limited (LEP) and non (NEP) proficient students
 - 8% increase in per pupil funding
- **Multidistrict online/extended high school students**
 - Same per pupil amount for all districts (\$8,130 in FY 2021-22)

Funded Pupil Count

- **0.5 FTE** for preschoolers (based on allocated CPP slots)
- **0.58 FTE** for half-day kindergarten students
- Multidistrict online and extended high school students
- **1.0 FTE** for full time 1-12 students and full-day kindergarten students
 - **Averaging:** Use actual current year count, or average of current year and prior one, two, three, or four years, whichever is highest.
- Minimum funded pupil count of 50 FTE

District Total Program

Total Program Funding =

[(Funded Pupil Count - Multidistrict Online and Extended High School) × Preliminary Per Pupil Funding]

+ At-Risk Funding

+ ELL Funding

+ Multidistrict Online/Extended High School Funding

Budget Stabilization Factor

- Applied to district total program
- Reduction applies only to state share
- Percent reduction in total program funding for **most** districts to reflect **available** funding for state share
- In FY 2021-22, the budget stabilization factor reduces total program by \$571.4 million (6.7%)

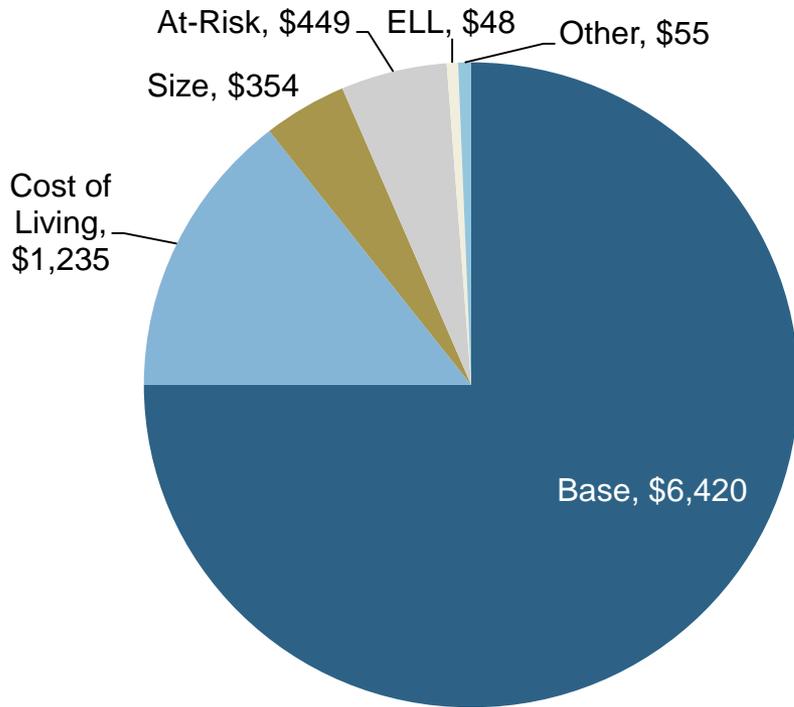
Summary of FY 2021-22 Formula Funding

- Funded Pupil Count = **888,538**
- Total Program Funding After BSF = **\$7.99 billion**
- Average Per Pupil Revenue = **\$8,991**
(Total program funding / Funded pupil count)
- PPR ranges from **\$8,428** to **\$19,762** across districts

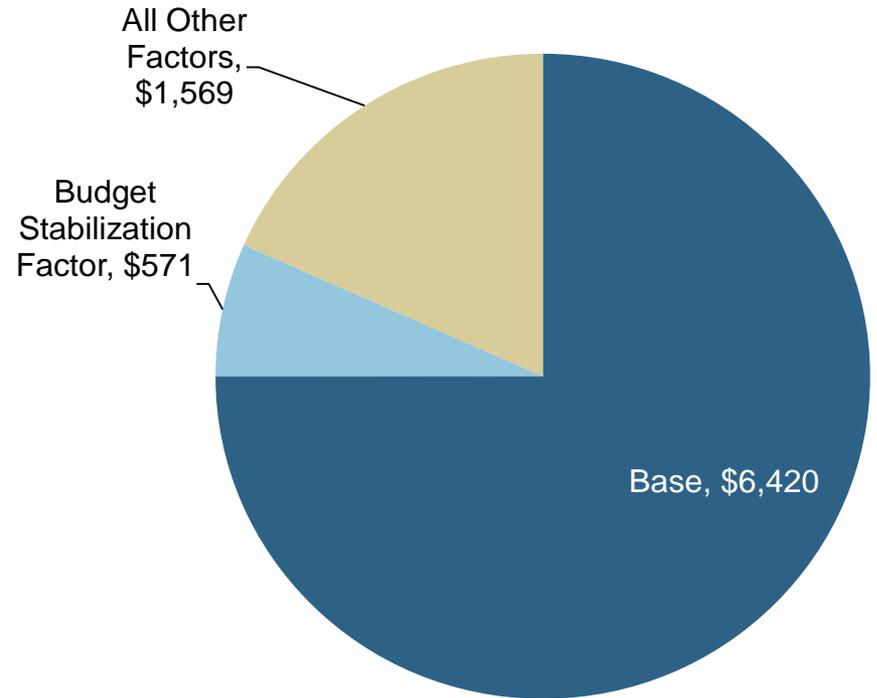
School Finance Funding Elements, FY 2021-22

Millions of Dollars

Before Application of Budget Stabilization Factor
Total Program Funding: \$8,560.2 billion



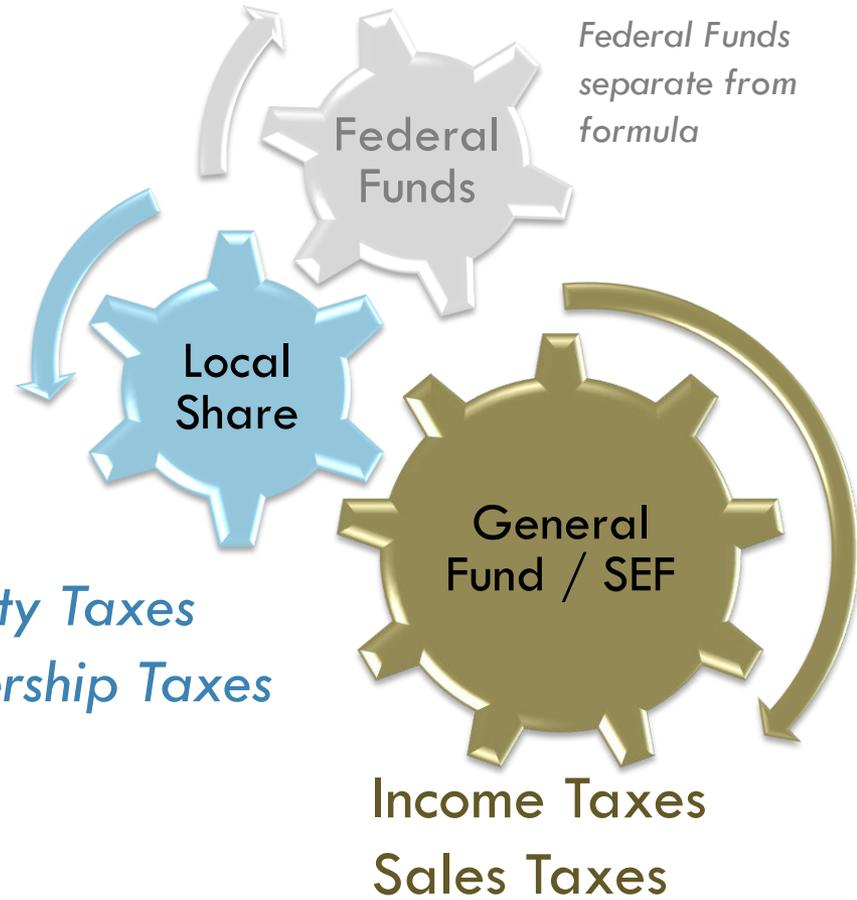
After Application of Budget Stabilization Factor
Total Program Funding: \$7,989.0 billion



Where does the money come from?

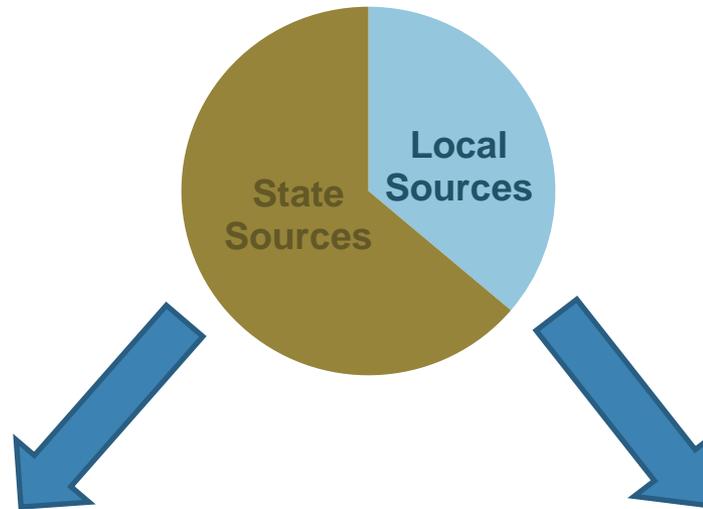
State Funding =
Total Program Funding
Minus
Local Share

*Mostly Property Taxes
Specific Ownership Taxes*



Sources of School Finance Formula Funding

\$8.0 billion in FY 2021-22



State Sources: \$4.8 billion (61%)

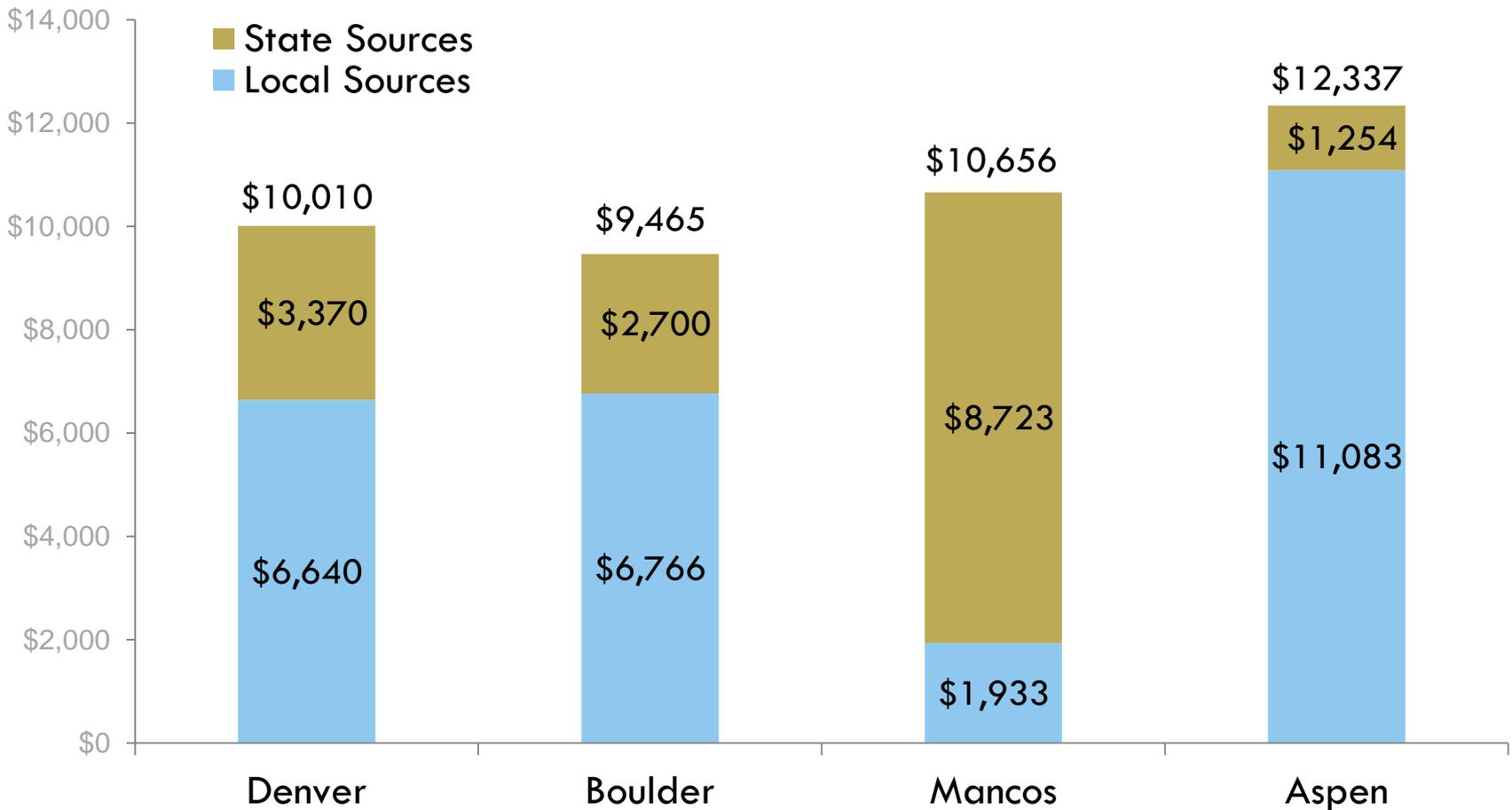
Local Sources: \$3.1 billion (39%)

General Fund: \$4.0 billion (83%)
State Education Fund: \$614 million (13%)
State Public School Fund: \$193 million (4%)

Property Taxes: \$2.9 billion (94%)
Spec. Ownership Taxes: \$205 million (6%)

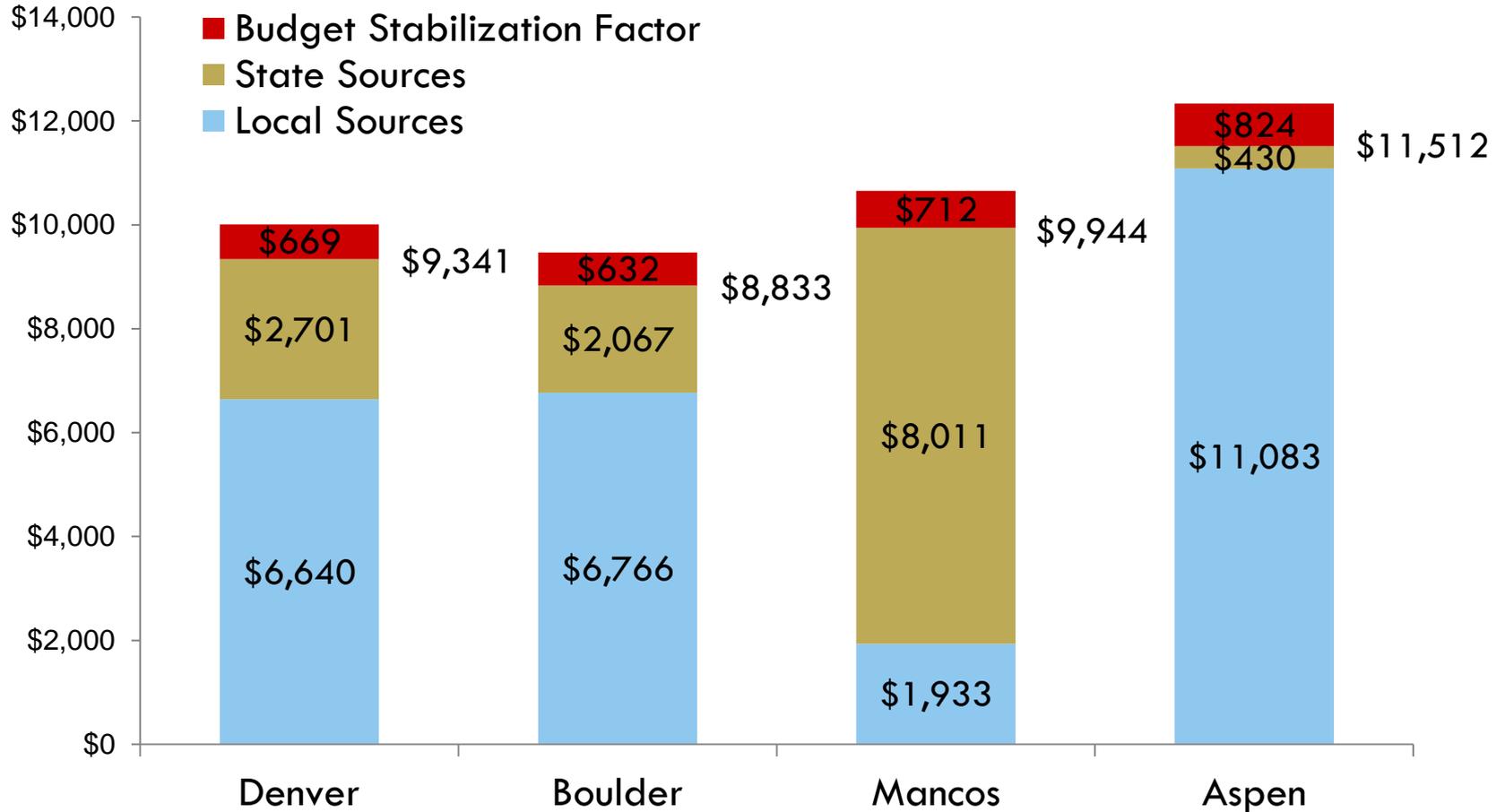
Who Pays for School Finance?

State and Local Sources of Funding Per Pupil, FY 2021-22
Before the Budget Stabilization Factor



Who Pays for School Finance?

State and Local Sources of Funding Per Pupil
After Budget Stabilization Factor



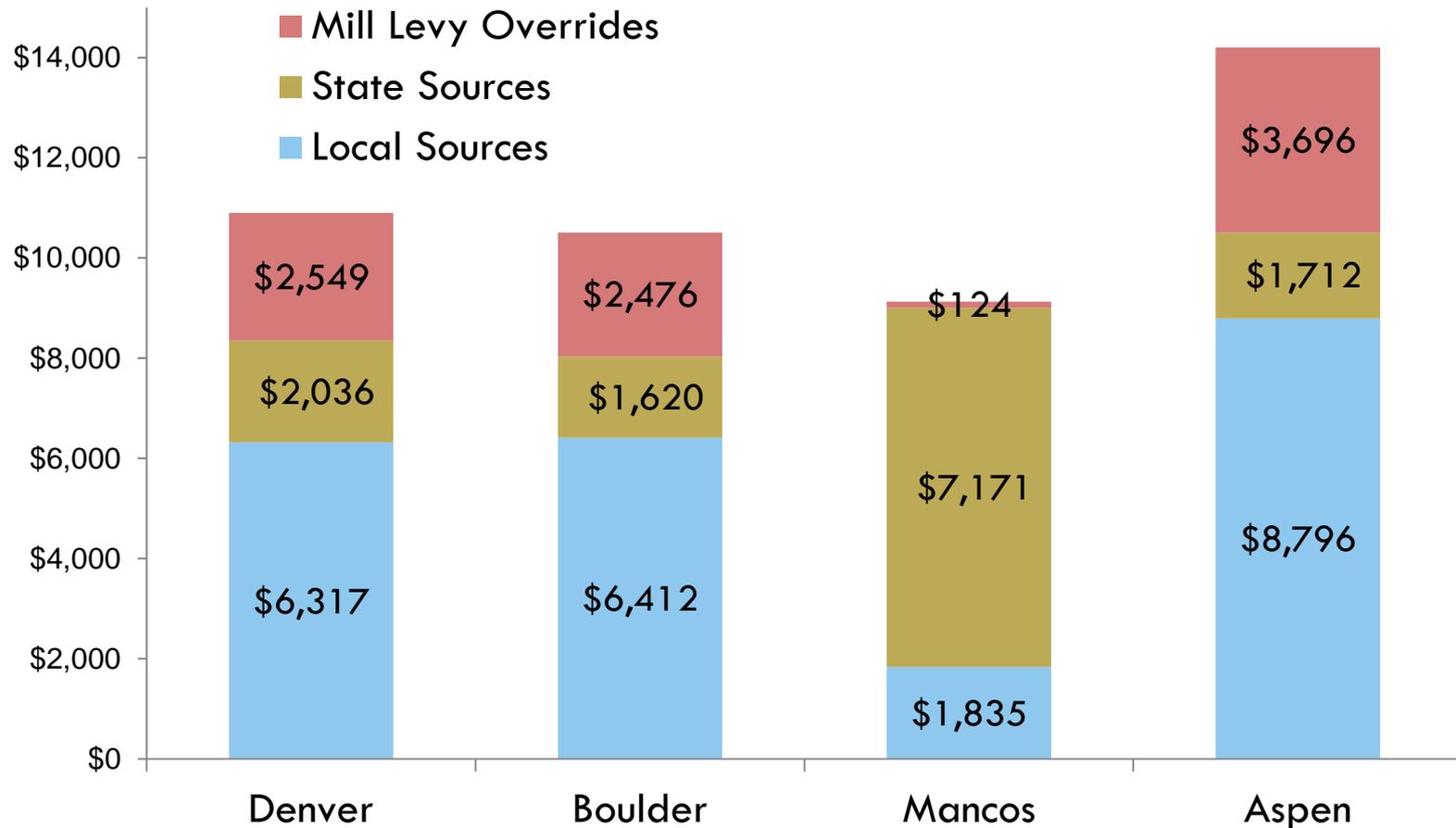
Other Revenue – OUTSIDE of Total Program

Total program funding *only* includes money distributed through the formula. It does not include these other revenues:

- **Other Local Revenue**
 - Mill levy overrides (\$1.4 billion in FY 2020-21)
 - Other local revenues (bonds, fundraising, grants, etc.)
- **Other State Revenue**
 - Categorical funding (\$361 million in FY 2021-22)
 - Other state funds (READ Act, Counselor Corps, nutrition, etc.)
- **Federal Revenue**
 - \$620.8 million reflected in FY 2021-22 Long Bill.

Major School District Funding Sources

State and Local Sources of Funding Per Pupil
Including Mill Levy Overrides

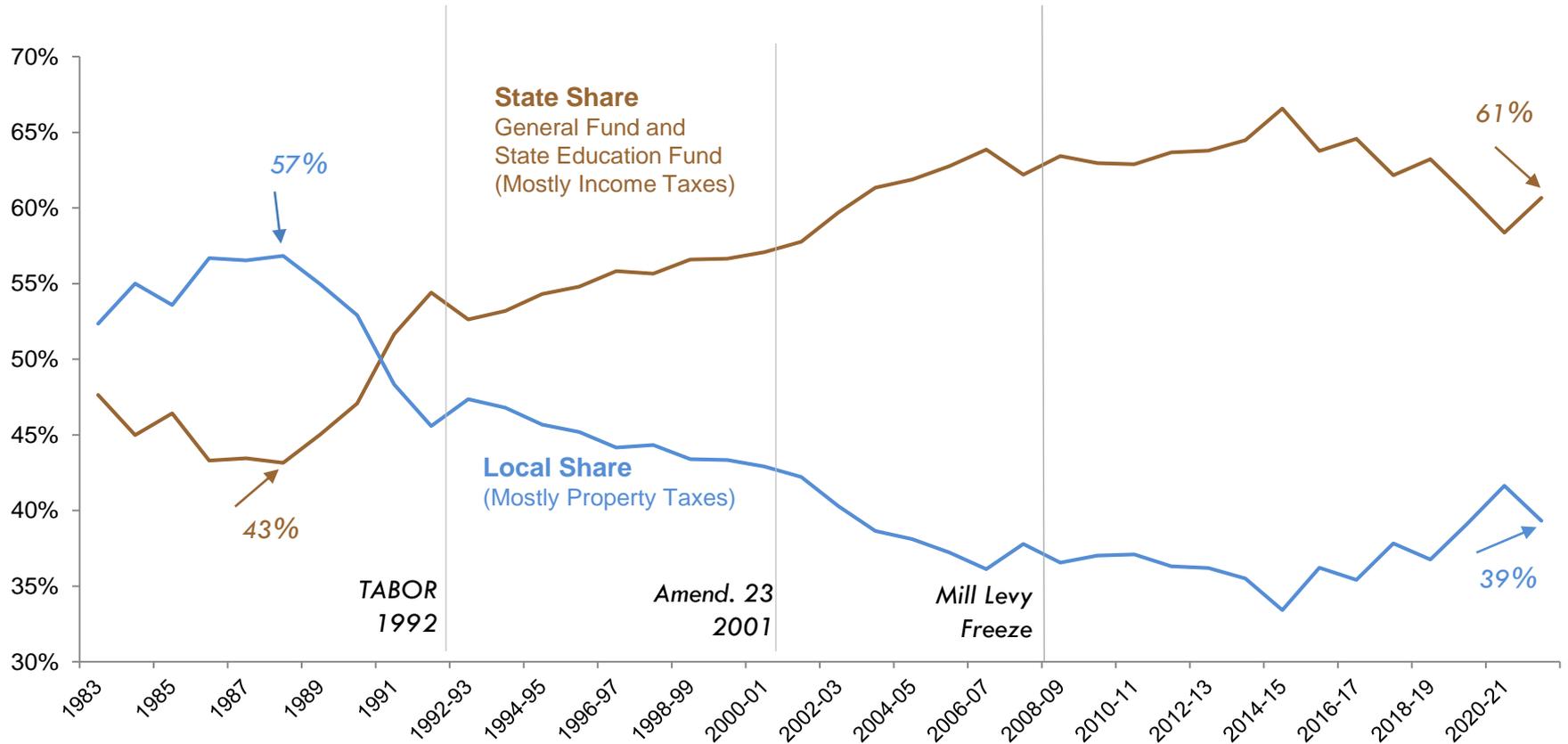


The Constitution & School Finance

- Gallagher Amendment
 - 45/55 property tax base ratio
 - Reduced residential assessment rate from 21 % to 7.15 %
 - Repealed in November, 2020
- TABOR
 - Requires a vote to increase an assessment rate or mill levy
 - For districts that have not waived the TABOR revenue limit, requires mill levies to be reduced when revenue exceeds a district's TABOR limit
- Amendment 23
 - Requires “base funding” to increase by at least inflation

State and Local Shares of School Finance

1983 to FY 2021-22



Note: Prior to 1993, K-12 funding was done on a calendar year basis

Source: Legislative Council Staff

Total Program Mill Levy Reset

House Bill 20-1418 / House Bill 21-1164

Background

- 1994 Act required reduction of mill levy based on TABOR revenue limit
- After 1994, most districts waived TABOR revenue limit, but still reduced mill levy
- 2007: General Assembly passed legislation to freeze reductions for districts that had waived TABOR limit and capped mill levies at 27 mills

Total Program Mill Levy Reset

House Bill 20-1418 / House Bill 21-1164

Reset district total program mill levies in 2020 to:

- If **not** subject to TABOR limit, lesser of:
 - mill levy without unauthorized reductions
 - fully funded mill levy
 - 27 mills
- If subject to TABOR limit, lesser of:
 - prior year mill levy
 - fully funded mill levy
 - TABOR mill levy
 - 27 mills

Total Program Mill Levy Reset

House Bill 20-1418 / House Bill 21-1164

Beginning in 2021, district mill levy is:

– If **not** subject to TABOR limit, lesser of:

- prior year mill levy
- fully funded mill levy
- 27 mills

– If subject to TABOR limit, lesser of:

- prior year mill levy
- fully funded mill levy
- TABOR mill levy
- 27 mills

Total Program Mill Levy Credits

House Bill 20-1418 / House Bill 21-1164

- In 2020, districts granted mill levy tax credits equal to the increase in mills as a result of the reset
- Beginning in 2021, districts must decrease mill levy tax credits by 1 mill per year until taxpayers pay the number of reset mills

Total Program Mill Levy Credits

Estimated Increase in Local Share

- FY 2021-22 (1st Year)
 - \$91.7 million
- FY 2022-23 (2nd Year)
 - \$145.5 million (estimate does not include changes in AV)
- Full implementation in FY 2039-40

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Extra Slides.....

Other State Funding

- **Categorical Funding**
 - Special Education
 - Gifted and Talented
 - Vocational Education
 - English Language Proficiency
 - Small Attendance Centers
 - Comprehensive Health Education
 - Expelled and At-Risk Student Services
- **State Grant Programs** (BEST, specific purposes, etc.)

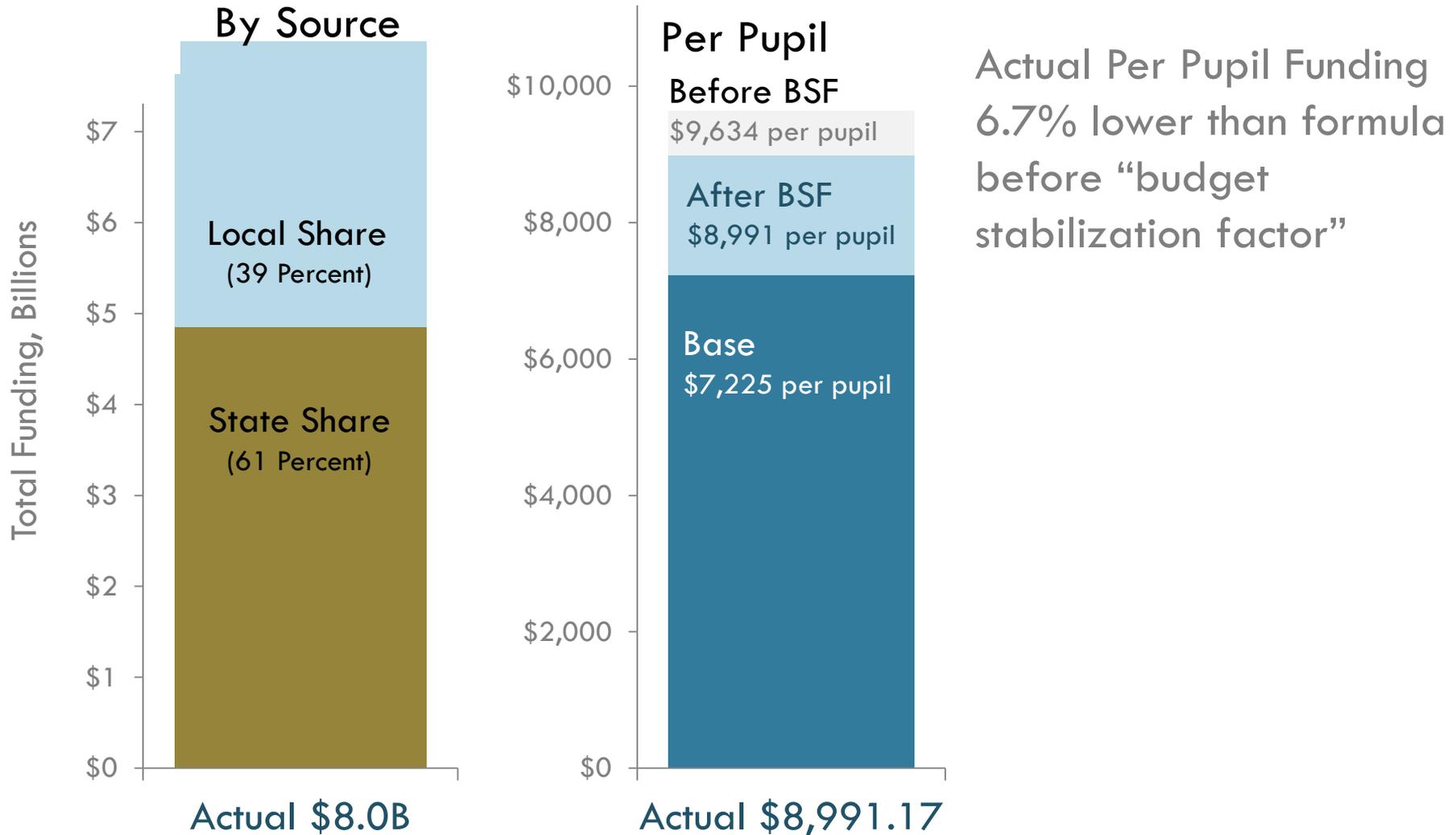
Senate Bill 21-268

Total Program Funding Formula Changes

- Expanded definition of at-risk students to include those students eligible for reduced price lunch
- Eliminated a portion of ELL students from the definition of at-risk
- Established a new ELL funding factor at 0.8 of preliminary total program
- Eliminated ELL funding for ELL professional development and student support
- Maintained ELL categorical program

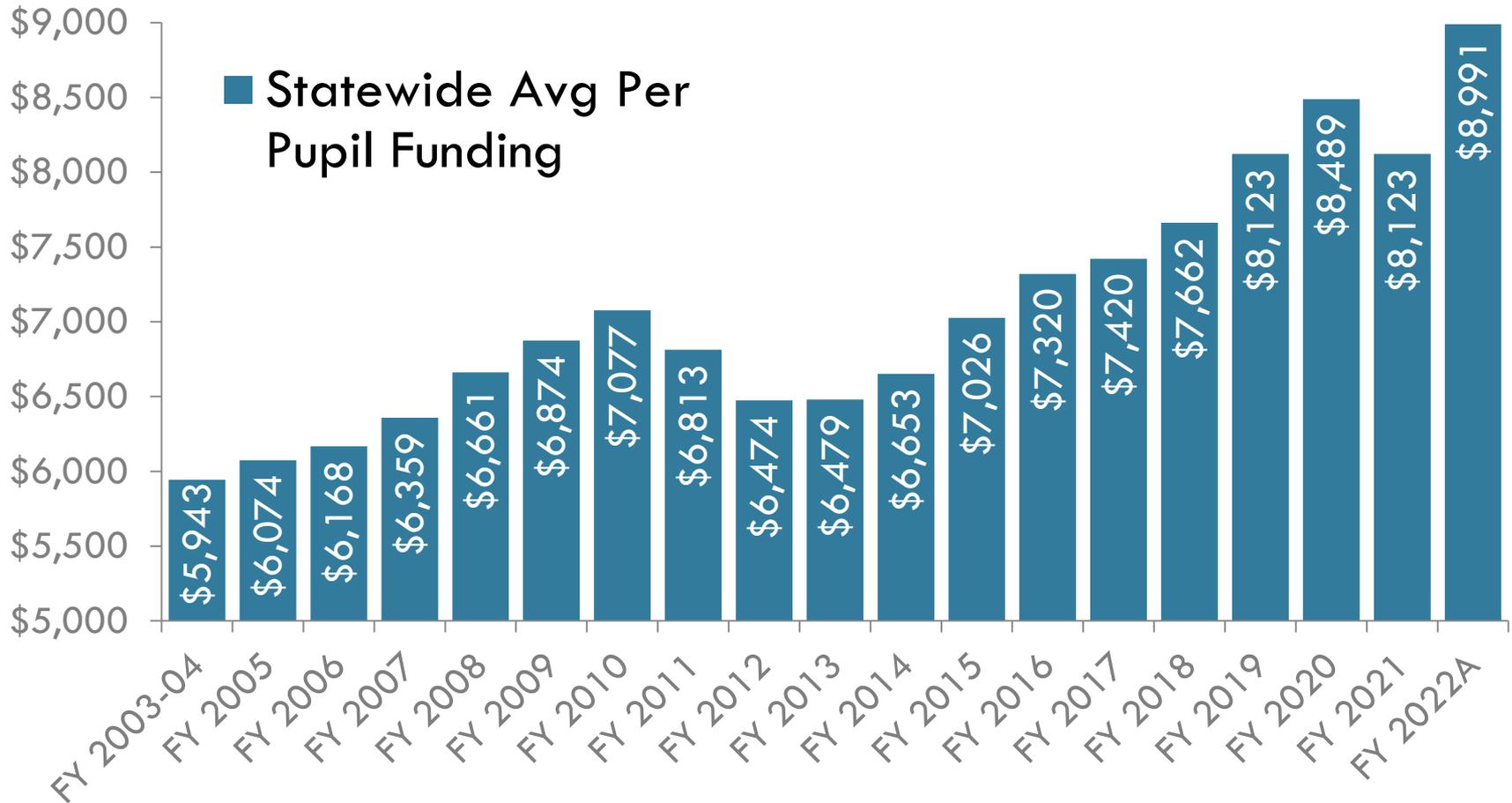
School Finance Formula Funding (Statewide)

Funding Source and Per Pupil (PP labels), FY 2021-22

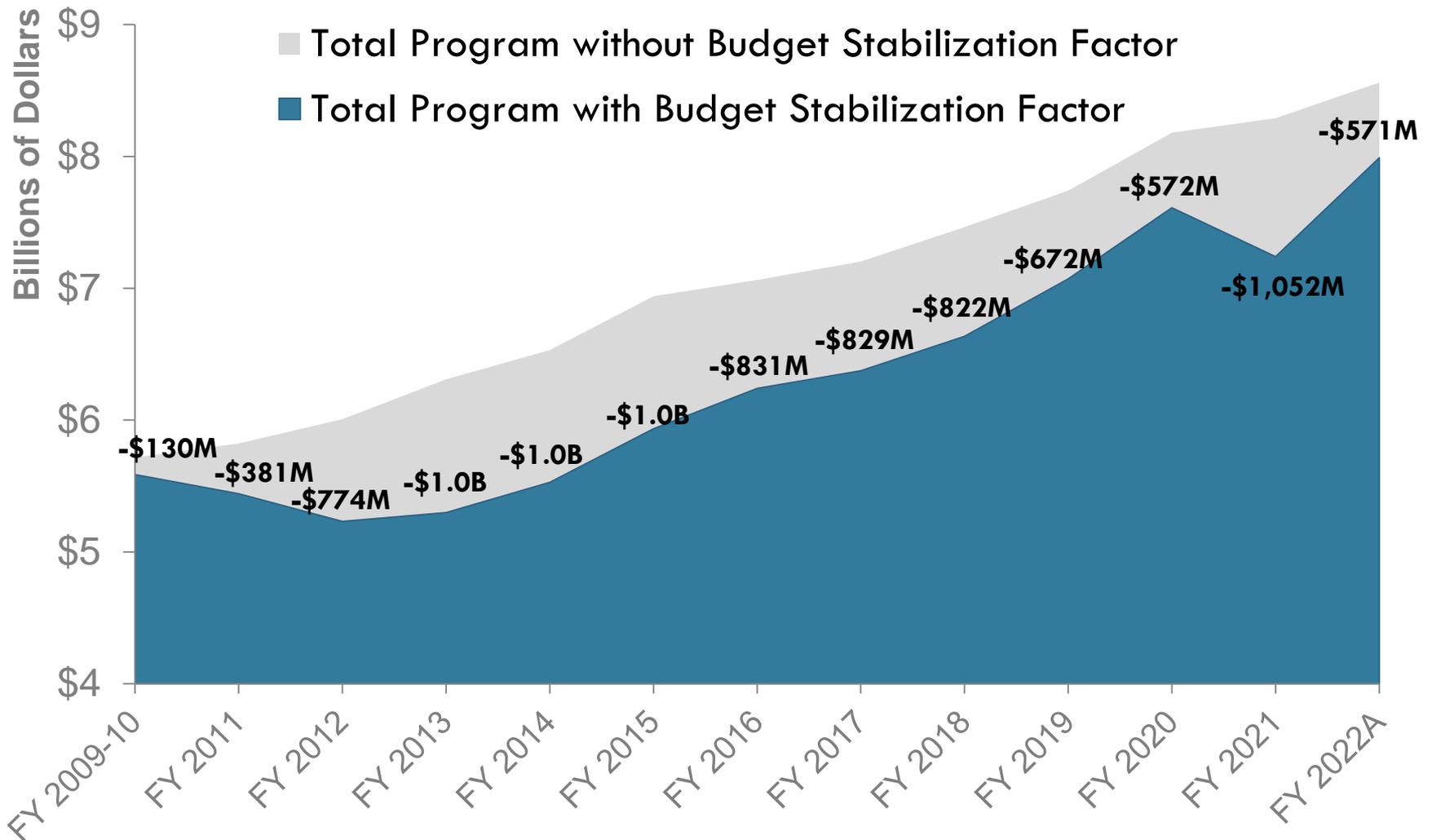


History of Per Pupil Funding

Not adjusted for inflation



School Finance Historical Funding Levels with/without Budget Stabilization Factor



Taxpayer Equity:

Property Tax on Statewide Median Value Home vs. State Share of Total Program, FY 2018-19

